

INITIAL STATEMENT OF REASONS

2716.1. License Fees.

PUBLIC PROBLEM, ADMINISTRATIVE REQUIREMENT, OR OTHER CONDITION OR CIRCUMSTANCE THAT THE REGULATION IS INTENDED TO ADDRESS

Sections 10201, 10209.5, 10210, 10214.5 and 10215 of the Business and Professions Code specify the maximum fees to be charged for the various licenses of real estate brokers and salespersons, for the renewal or late renewal of those licenses, and for examinations required to obtain the licenses. Section 2716 of the Regulations was originally adopted to comply with these statutes and specify the appropriate fees if these are less than the maximums allowed by the statutes. As a result of various factors, in 1997, Section 10226 of the Business and Professions Code was amended and Section 10226.5 was adopted to require the Department to assess the fees charged and revenues raised from those fees to determine if fees should be raised or lowered.

The Department of Real Estate (DRE) is dependent upon revenue collected from license and subdivision fees to support its operations. With the cyclical real estate market, it has long been the practice of DRE to set aside revenue excesses to fund the department during times of revenue decline. Because real estate funds had been used to offset general fund deficits, the real estate industry successfully introduced legislation in addition to Section 10226.5 discussed above, that, as enacted, requires DRE to lower fees whenever a transfer or loan is made from the real estate fund to the general fund. These events and requirements, coupled with market fluctuations and increased license requirements, have led to real estate fund instability draining the reserves.

SPECIFIC PURPOSE OF THE REGULATION

The purpose of this proposed change is to establish real estate license and examination fees at the statutory maximum levels.

NECESSITY

The fee change is necessary to support operations.

TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDY, REPORTS, OR DOCUMENTS

The Commissioner did rely upon revenue projections and reserve fund balance analysis in making this determination which are attached hereto as Exhibit 1.

ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD BE AS EFFECTIVE AND LESS BURDENSOME TO PRIVATE PERSONS

The Commissioner finds that in addition to the redirection of staff, improvements in the effectiveness of operations and the introduction of efficiencies through technology, no alternatives he has considered would be more effective in

carrying out the purpose of the proposed regulation change or would be as effective and less burdensome to affected private persons than the proposed regulation change.

ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD LESSEN ANY ADVERSE ECONOMIC IMPACT ON BUSINESSES

DRE will continue to have fewer positions in the near term than in the past with a significantly higher licensee population to support and regulate. Additionally, the enforcement responsibilities of DRE have increased over time as new mandates are born from marketplace risks when consumer protection is threatened or compromised. The Commissioner has determined that there are ongoing operational costs associated with the Department's mission. Therefore, the proposed regulation change will have an economic impact on licensees but no alternatives to the proposed regulatory action, and the associated changes noted above, were identified that would lessen any adverse impact upon businesses.

2790.1.5. Filing Fees.

PUBLIC PROBLEM, ADMINISTRATIVE REQUIREMENT, OR OTHER CONDITION OR CIRCUMSTANCE THAT THE REGULATION IS INTENDED TO ADDRESS

Section 11011 of the Business and Professions Code specifies the maximum filing fees in connection with applications to the Department relating to subdivisions. Section 2790.1 of the Regulations was originally adopted to comply with this statute and specify the appropriate fees if these are less than the maximums allowed by the statute. As a result of various factors, in 1997, Section 10226 of the Business and Professions Code was amended and Section 10226.5 was adopted to require the Department to assess the fees charged and revenues raised from those fees to determine if fees should be raised or lowered. Section 2790.1.5 was adopted in 2003 to stabilize the fees while maintaining compliance with the new and amended statutes.

The Department of Real Estate (DRE) is dependent upon revenue collected from license and subdivision fees to support its operations. With the cyclical real estate market, it has long been the practice of DRE to set aside revenue excesses to fund the department during times of revenue decline. Because real estate funds had been used to offset general fund deficits, the real estate industry successfully introduced legislation in addition to Section 10226.5 discussed above, that, as enacted, requires DRE to lower fees whenever a transfer or loan is made from the real estate fund to the general fund. These events and requirements, coupled with market fluctuations and increased license requirements, have led to real estate fund instability draining the reserves.

SPECIFIC PURPOSE OF THE REGULATION

The purpose of this proposed change is to establish real estate subdivision filing fees at the statutory maximum levels.

NECESSITY

The fee change is necessary to support operations.

TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDY, REPORTS, OR DOCUMENTS

The Commissioner did rely upon revenue projections and reserve fund balance analysis in making this determination which are attached hereto as Exhibit 1.

ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD BE AS EFFECTIVE AND LESS BURDENSOME TO PRIVATE PERSONS

The Commissioner finds that in addition to redirection of staff, improvements in the effectiveness of operations and the introduction of efficiencies through technology, no alternatives he has considered would be more effective in carrying out the purpose of the proposed regulation change or would be as effective as and less burdensome to affected private persons than the proposed regulation change.

ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD LESSEN ANY ADVERSE ECONOMIC IMPACT ON BUSINESSES

The Subdivision program has not taken in sufficient revenue to support the program for over a year with the excess costs born by the reserve balance. As a result, subdivision positions have been redirected to other programs including Legal and Legislation. Additionally, DRE has directed subdivision resources to, in addition to the processing of subdivision filings, investigate enforcement actions. These investigations include subdivision complaints that have increased due to the market conditions. This management strategy will retain knowledgeable and trained deputy staff within DRE that can quickly be refocused on subdivision filing applications once improvements in the housing market are realized. The Commissioner has determined that there are some additional costs associated with this action. Therefore, the proposed regulation change will have an economic impact on developers but no alternatives to the proposed regulatory action, and the associated changes noted above, were identified that would lessen any adverse impact upon businesses.

2797. Common Interest Development - Individual Homeowner Maintenance

PUBLIC PROBLEM, ADMINISTRATIVE REQUIREMENT, OR OTHER CONDITION OR CIRCUMSTANCE THAT THE REGULATION IS INTENDED TO ADDRESS

California Business & Professions Code (the Code) §11018.5(e) states that the commissioner shall issue a public report if the commissioner finds with respect to any subdivision that reasonable arrangements have been or will be made as to the interest of each of the purchasers of lots, apartments, or condominiums in the subdivision with respect to the management, maintenance, preservation, operation, use, right of resale, and control of their lots, apartments, or condominiums, and such other areas or interests, whether or not within, or pertaining to, areas within the boundaries of the subdivision, as have been or will be made subject to the plan of control proposed by the owner and subdivider, and which are included in the offering.

Regulation 2797 allows individual homeowner maintenance of attached dwelling units in limited circumstances. This amendment clarifies the existing regulation by removing references to common interest development types as defined in California Civil Code §1351.

SPECIFIC PURPOSE OF THE REGULATION

This regulation, as currently written, is incorrect as it attempts to redefine the definition of a Planned Development in Civil Code Section 1351(k). The regulation incorrectly indicates that the type of a common interest development (whether a condominium or a planned development) is affected by homeowner association maintenance responsibilities or physical construction of a residential dwelling. As this regulation may be applicable to either a planned development or condominium, all references in subsections (a) – (i) “unit(s)” are being changed to “dwelling(s)” and in subsection (g) of 2797 “condominium” should be changed to “residential.” The first sentence of Section 2797 will also be changed to incorporate the definition of common interest development in Civil Code Section 1351.

NECESSITY

This amendment is necessary to correct a definition in the regulation.

TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDY, REPORTS, OR DOCUMENTS

The Commissioner did not rely upon any technical, theoretical, or empirical studies, reports or documents in proposing the adoption of this regulation.

ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD BE AS EFFECTIVE AND LESS BURDENSOME TO PRIVATE PERSONS

The Commissioner finds that this regulation has no fiscal impact to private persons. Therefore, the Commissioner finds that no alternatives he has considered would be more effective in carrying out the purpose of the proposed regulation change or would be as effective as and less burdensome to affected private persons than the proposed regulation change.

ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD LESSEN ANY ADVERSE ECONOMIC IMPACT ON BUSINESSES

The Commissioner finds that this regulation has no adverse economic impact on businesses. Therefore, the Commissioner finds that no alternatives he has considered would be more effective in carrying out the purpose of the proposed regulation change or would lessen any adverse economic impact on businesses than the proposed regulation change

2810.5. Filing Fees.

PUBLIC PROBLEM, ADMINISTRATIVE REQUIREMENT, OR OTHER CONDITION OR CIRCUMSTANCE THAT THE REGULATION IS INTENDED TO ADDRESS

Section 11232 of the Business and Professions Code, part of the Vacation Ownership and Time-Share Act of 2004, specifies the maximum filing fees in connection with applications to the Department relating to time-share interests. Section 2810 of the Regulations was originally adopted to comply with this statute and specify the appropriate fees if these are less than the maximums allowed by the statute. After adopting Section 2810 it was discovered that some of the wording was ambiguous and needs to be clarified. As a result of various factors, in 1997, Section 10226 of the Business and Professions Code was amended and Section 10226.5 was adopted to require the Department to assess the fees charged and revenues raised from those fees to determine if fees should be raised or lowered. In 2005 Section 2810 was repealed and

Section 2810.5 was adopted to stabilize the fees while maintaining compliance with the new and amended statutes.

The Department of Real Estate (DRE) is dependent upon revenue collected from license and subdivision fees to support its operations. With the cyclical real estate market, it has long been the practice of DRE to set aside revenue excesses to fund the department during times of revenue decline. Because real estate funds had been used to offset general fund deficits, the real estate industry successfully introduced legislation in addition to Section 10226.5 discussed above, that, as enacted, requires DRE to lower fees whenever a transfer or loan is made from the real estate fund to the general fund. These events and requirements, coupled with market fluctuations and increased license requirements, have led to real estate fund instability draining the reserves.

SPECIFIC PURPOSE OF THE REGULATION

The purpose of this proposed change is to establish real estate subdivision filing fees at the statutory maximum levels.

NECESSITY

The fee change is necessary to support operations.

TECHNICAL, THEORETICAL, AND/OR EMPIRICAL STUDY, REPORTS, OR DOCUMENTS

The Commissioner did rely upon revenue projections and reserve fund balance analysis in making this determination which are attached hereto as Exhibit 1.

ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD BE AS EFFECTIVE AND LESS BURDENSOME TO PRIVATE PERSONS

The Commissioner finds that in addition to redirection of staff, improvements in the effectiveness of operations and the introduction of efficiencies through technology, no alternatives he has considered would be more effective in carrying out the purpose of the proposed regulation change or would be as effective as and less burdensome to affected private persons than the proposed regulation change.

ALTERNATIVES TO THE PROPOSED REGULATORY ACTION THAT WOULD LESSEN ANY ADVERSE ECONOMIC IMPACT ON BUSINESSES

The Subdivision program has not taken in sufficient revenue to support the program for over a year with the excess costs born by the reserve balance. As a result, subdivision positions have been redirected to other programs including Legal and Legislation. Additionally, DRE has directed subdivision resources to, in addition to the processing of subdivision filings, investigate enforcement actions. These investigations include subdivision complaints that have increased due to the market conditions. This management strategy will retain knowledgeable and trained deputy staff within DRE that can quickly be refocused on subdivision filing applications once improvements in the housing market are realized. The Commissioner has determined that there are some additional costs associated with this action. Therefore, the proposed regulation change will have an economic impact on developers but no alternatives to the proposed

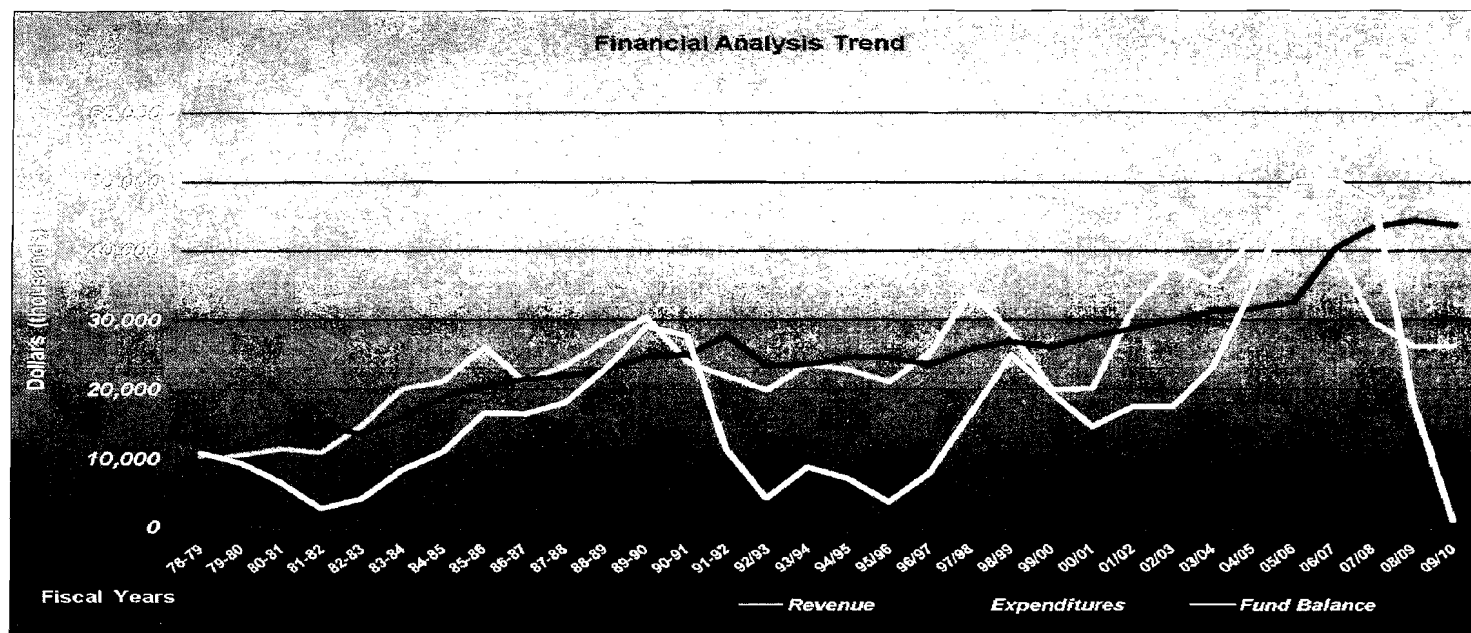
regulatory action, and the associated changes noted above, were identified that would lessen any adverse impact upon businesses.

Department of Real Estate

Exhibit 1

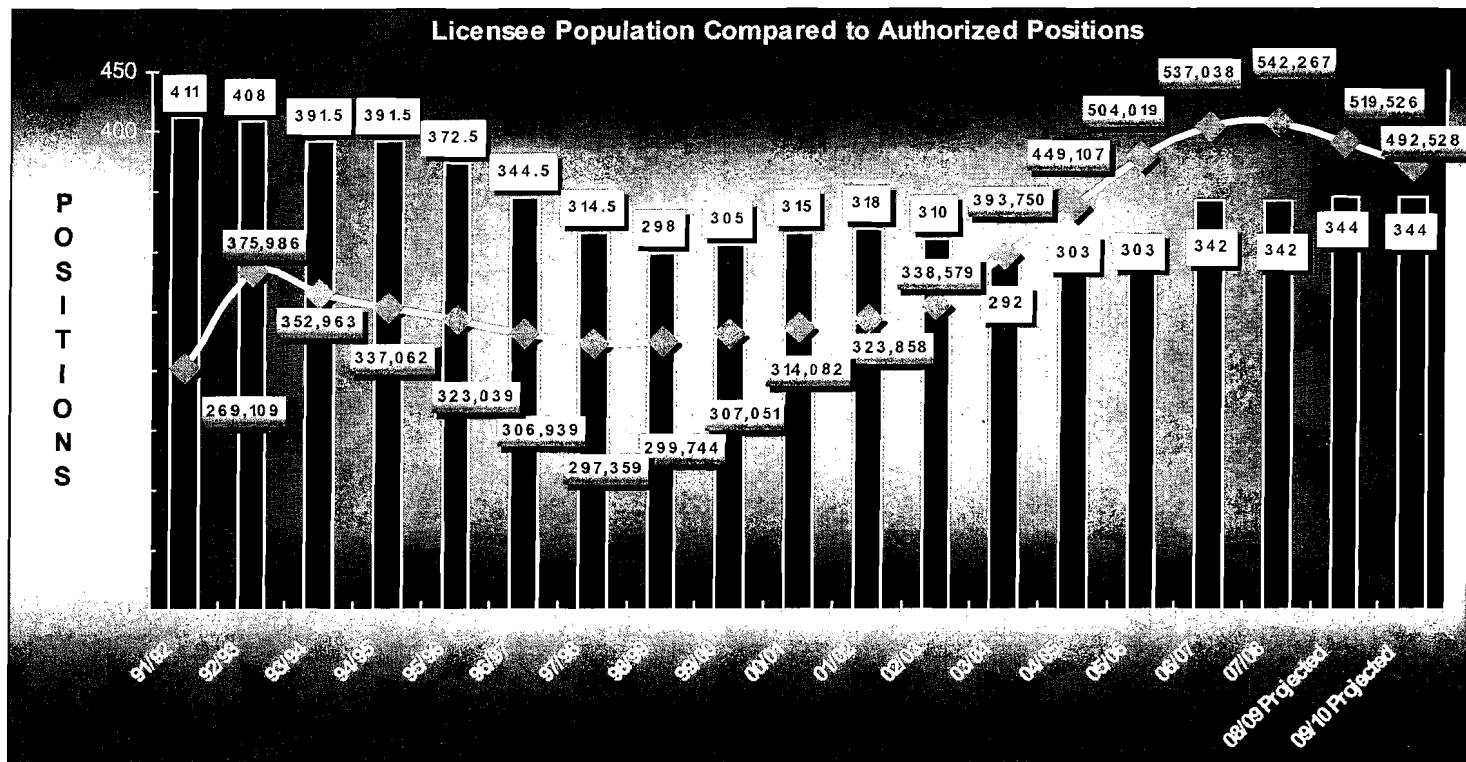
The following analysis is the basis for the fee increase regulations proposed. Based upon revenue actuals for 2008/09 (within 5% of projections) and with the outstanding loan a fee adjustment is required effective July 1, 2009.

The Department of Real Estate (DRE) is dependent upon revenue collected from license and subdivision fees to support its operations. With the cyclical real estate market, it has long been the practice of DRE to set aside revenue excesses to fund the department during times of revenue decline. Because real estate funds had been used to offset general fund deficits, the real estate industry successfully introduced legislation that, as enacted, requires DRE to lower fees whenever a transfer or loan is made from the real estate fund to the general fund. These events and requirements, coupled with market fluctuations, have led to real estate fund instability. The following chart represents DRE's financial trend analysis as well as future projections of the comparisons of revenues to expenditures and the resulting fund balance.



Transformations in the marketplace coupled with transfers/loans to the general fund in FYs 91/92, 92/93, and most recently in 02/03 account for the volatility in the fund balance. In FY 06/07 after decades of staff reductions and anticipating a future need for increased enforcement efforts in a protected declining market, DRE added 39 positions. DRE's 06/07 recommendation and subsequent augmentation represented approximately one-half of the positions justified by the analysis. Of the 39 new positions, 33 were assigned to DRE's Enforcement Program to address complaints and issues resulting from the fallout of the mortgage crisis, complaints against licensees, background checks on license applicants, subdivision filing issues and contract compliance, as well as support a variety of consumer protection and awareness efforts, such as mortgage town halls and foreclosure interventions. DRE recognized that, while this augmentation would help improve its operating timeframes and standards, it would be insufficient to fully and consistently achieve its performance objectives and strategic goals until such time as the license population significantly declines and the industry achieves a more normalized state.

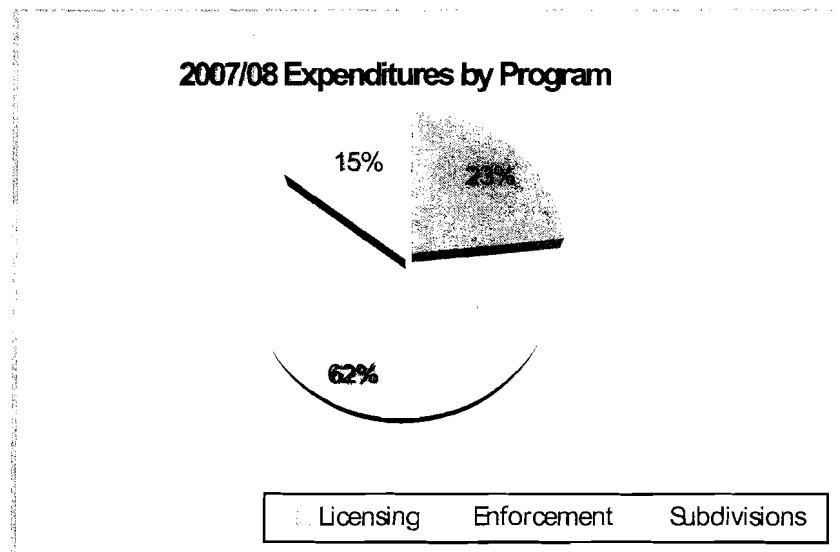
DRE will continue to have fewer positions in the near term than in the past with a significantly higher licensee population to support and regulate. Additionally, the enforcement responsibilities of DRE have increased over time as new mandates are born from marketplace risks when consumer protection is threatened or compromised. The licensee population compared to the authorized positions of the Department is represented in the chart below. Also depicted in the chart are the future projections of the license population which have a direct correlation to the revenue projections.



The Department has made significant strides in technology to offset some the need for continually increasing staff to support and regulate the licensee population. The eLicensing system, as a primary example, has an annual offset cost of approximately \$900,000 (30.5 additional positions based upon a volume of 376,000 online transactions) in the licensing program alone. However, technology can only complement the human reasoning and intelligence that must be dedicated to investigate complaints, promote consumer protection and outreach, audit real estate brokers, and provide legal representation at administrative hearings with the support of tools such as research, information bases, tracking tools, and statistical data.

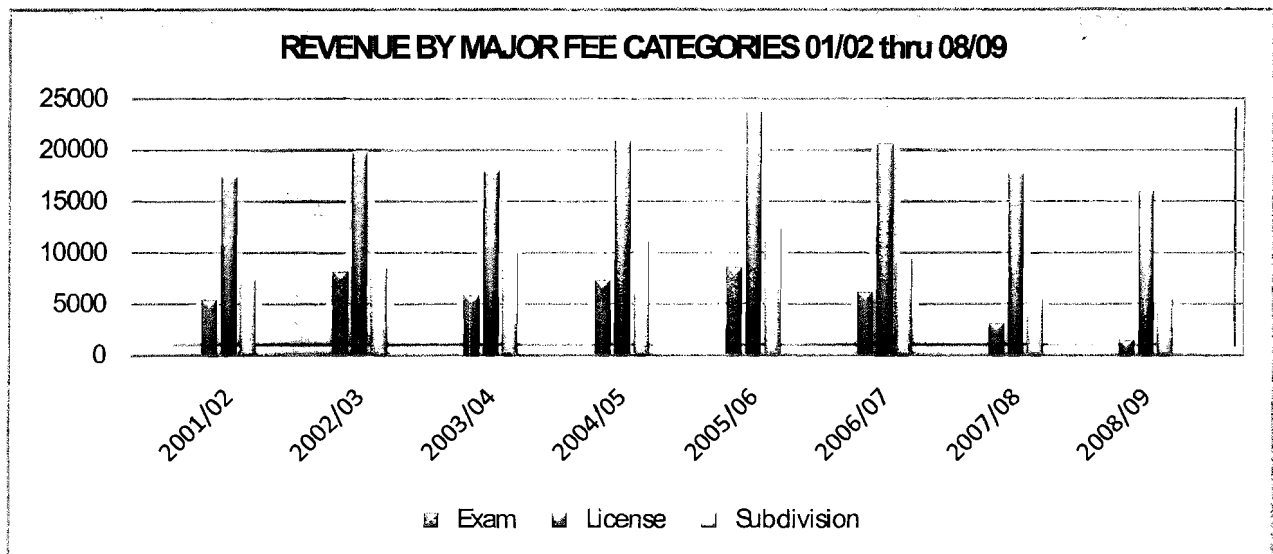
The Enforcement Program's overall mission is to enforce the provisions of the Real Estate Law and the Subdivided Lands Law in a manner which provides protection for purchasers of real property and those persons conducting business with real estate licensees. The Enforcement Program is composed of the Enforcement Section, Audit Section and Legal Section all of whom work together to accomplish the enforcement mission. Along with a high licensee population and a diminished marketplace, comes an increased Enforcement workload. From a financial perspective, the Enforcement Program accounts for the major expenditures of the Department at 60% or approximately \$27 million annually and takes in no revenue. The Enforcement Program has limited authority to impose fines. Any penalty or fine must be deposited into the Real Estate Recovery Account which is a victim's fund of last resort. This account is used to reimburse "aggrieved" members of the

public who have obtained a civil judgment, arbitration award or criminal restitution order, based on intentional fraud, deceit, misrepresentation or conversion of trust funds and have been unable to fully collect on their judgment or order.



Based on statutory mandates, DRE was required to lowered fees in August, 2003 to the minimum amounts allowed (1982 levels) as a result of the FY 02/03 loan to the general fund. Acknowledging that the real estate market is cyclical and that a decline was forthcoming, this regulation for a fee decrease included a sunset provision that was to become effective in 2007, whereby fees would revert to the previous higher amounts. At that time, the market had only slightly declined, interest in real estate licensure remained strong and revenues continued to be in excess of operating expenses. Because of the outstanding general fund loan and based upon a continuing revenue stream, DRE withdrew the regulation sunset provision and planned for a fee adjustment in FY 2011/12.

However, after eliminating the sunset provision, the market and economy were rocked by the fallout of subprime lending and underwriting practices and revenues plummeted sooner and faster than anticipated due to the mortgage meltdown. In addition, the real estate industry successfully backed legislation increasing statutory license course requirements, making it more difficult to obtain a new salesperson license. This legislation, effective October 1, 2007, eliminated the “conditional” salesperson license, which had previously allowed an applicant to qualify for the real estate salesperson examination with only one of three required statutory courses, with the remaining two courses to be completed within 18 months of the issuance of the license. In addition to the market conditions, the elimination of the conditional sales license and the new requirement that all three statutory courses be completed in order to take the examination have cut the number of qualified applicants for licensure by over 50% per year for the past two years.



The Department's revenue has dropped 33% from a high of \$44.5 million (FY 05/06) to \$29.8 million (FY 07/08). Correspondingly, the Department's reserves have declined by 26% from \$50.1 million (FY 05/06) to \$36.9 million (FY 07/08). Current projections indicate that, without a fee adjustment to the statutory maximum threshold and the repayments of the outstanding \$10.9 million general fund loan with accumulated interest, the Department will deplete all of its reserves and will be unable to fund \$18 million of its \$43.9 million projected budget for FY 10/11 (Exhibit 1 - *8- Year Fund Condition Statement; No Fee Increase; No Loan Return; Includes EEP as prior approved proj.; No new BCPs*).

To resolve its fund shortfall, DRE plans to, by regulation, adjust fees to the maximum statutory limits (Exhibit 2 - *8 Year Fund Condition Statement, Fee Increase effective January 2010; With No Loan Return; Includes EEP as prior approved proj.; No new BCPs*). Business and Professions Code (B&P) Sections 10200 et seq. sets maximum statutory fees that can be charged by the Department. While B&P Sections 10210 and 10215 establish a maximum limit for broker and salesperson fees at \$300 and \$245 respectively for a four year license, the Department's licensing fees are currently set by Regulation 2716.1 to the same amount they were in 1982; \$165 for a four year broker license and \$120 for a four year salesperson license. Amending Regulation 2716.1 to adjust fees to the proposed statutory maximums effective 01/01/10 should extend DRE operational funding through FY 10/11 barring any significant change in DRE's operations..

The Department of Finance plans repayment of the outstanding loan in 2010. For the purposes of this analysis, the interest due along with the loan repayment has not been calculated; however, the Department of Finance confirms that interest will be paid in full at the prevailing rate at the time the loan was executed. (Exhibit 3 - *Department of Real Estate; 8-Year Fund Conditional Statement; Fee Increase-effective January 2010; With Full Loan Repayment (no interest); includes EEP as prior approved proj.; No new BCPs*). Based upon current statutory mandates and absent accounting for interest on the outstanding loan, this repayment plan coupled with the fee adjustment is projected to extend DRE operational funding through FY 12/13.

Even at their statutory maximum thresholds, the proposed fee adjustments are well below those charged by other licensing agencies in California. The Department of Corporations (DOC) currently charges its California Finance Lenders a \$200 Application Fee, a \$250 per year minimum Annual Assessment for each licensed location, requires a \$25,000 surety bond, and mandates that its licensees pay for the cost of periodic examinations. DOC's Escrow Agent Licensees are charged \$625 for a main office, \$425 for each branch office, an Annual Assessment not to exceed \$2,800 per office or location, a Special Assessment not to exceed \$500 per office or location, and require licensees to maintain a bond. DOC's Residential Mortgage Lenders pay a \$900 + \$100 investigation fee, a \$1,000 minimum and \$5,000 maximum Annual Assessment, and are required to maintain a surety bond. In contrast, the Department of Real Estate's statutory maximums for real estate brokers and salespersons is only \$300 and \$245 respectively for a four year license. DRE charges no branch office

license fees, no annual assessments, and requires no surety bonds because of the protection afforded by the Real Estate Recovery Fund which financed by a portion of these license fees as well as penalty payments.

In comparing DRE's licensing fee structure with the ten next largest states in terms of real estate licensee populations, only North Carolina (\$40 for a one-year license) and Georgia (\$100 for a four-year license) have lower annual broker license renewal fees than those currently charged brokers in California (\$165 for a four-year license). At the other end of the spectrum, Texas charges the highest fee (\$511 for a two-year license) to renew a broker's license (Exhibit 4).

Finally, when market conditions stabilize, the revenue stream increases, and the reserve fund balance grows to an 18-month funding maximum established by B&P Section 10226, the Commissioner is required to introduce regulations to lower fees to an appropriate level needed to fund operations while maintaining a reasonable reserve fund balance.

NO FEE INCREASE
NO LOAN RETURN
includes EEP as prior approved proj.
NO new BCPs

DEPT of REAL ESTATE
8-Year Fund Condition Statement
(\$\$'s in thousands)

Exhibit 1

	2006/07	2007/08	2008/09	2009/10	20010/11	20011/12	20012/13	20013/14
Beginning Reserves	50,107	50,198	36,943	18,842	1,530	-18,088	-40,708	-64,041
Prior Year Adj.	184	519	-	-	-	-	-	-
Reserves, Adjusted	50,291	50,717	36,943	18,842	1,530	-18,088	-40,708	-64,041
Revenues & Transfers								
Revenues:								
Examination fees	6,077	3,079	1,442	1,011	795	626	543	543
License fees	20,515	17,686	15,968	17,279	15,926	13,315	13,124	13,124
Subdivisions fees	9,358	5,418	5,576	5,576	5,967	5,967	5,967	5,967
Other regulatory licenses	376	277	277	250	250	250	250	250
Sales of documents	95	47	47	50	50	50	50	50
Miscellaneous service	332	185	185	200	200	200	200	200
Income from SMIF	2,571	2,037	1,900	1,400	0	0	0	0
Escheat	20	28	28	28	28	28	28	28
Miscellaneous revenue	588	719	500	500	500	500	500	500
Penalty assessments	314	323	350	300	300	300	300	300
Totals, Revenues	40,246	29,799 ¹	26,273 ²	26,594 ³	24,016 ⁴	21,236 ⁵	20,962 ⁶	20,962 ⁷
Transfers from other funds:								
Loan	0	0	0 ²	0 ³	0 ⁴	0	0	0
Totals, Transfers	0	0	0	0	0	0	0	0
Totals, Resources	90,537	80,516	63,216	45,436	25,546	3,148	-19,746	-43,079
Expenditures	40,339	43,573 ¹	44,374 ²	43,906 ³	43,634 ⁴	43,856 ⁵	44,295 ⁶	44,827 ⁷
Reserves	50,198	36,943	18,842	1,530	-18,088	-40,708	-64,041	-87,906
Days	420.5	303.9	156.6	13	-151	-335	-521	-709
Months	14.0	10.1	5.2	0	-5	-11	-17	-24
%	117%	84%	44%	4%	-42%	-93%	-145%	-197%
Reserve w/\$10.9 loan as asset	61,098	47,843	29,742	12,430				
Months reserve	17.1	13.1	8.2	3.5				

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Revenue Workload Reduction Assumptions for Exam/License/Renewal Fees:

- 1 Actuals
- 2 B-exam -20%; S-exam -40%; B-orig -32%; S-orig -49%; B/S-renewals +9%; SUBS -3%
- 3 B-exam -20%; S-exam -35%; B-orig -10%; S-orig -39%; B/S-renewals +18%; SUBS flat%
- 4 B-exam -15%; S-exam -25%; B-orig -21%; S-orig -17%; B/S-renewals -7%; SUBS +7%
- 5 B-exam -15%; S-exam -25%; B-orig -15%; S-orig -25%; B/S-renewals -16%; SUBS flat
- 6 B-exam -10%; S-exam -15%; B-orig -11%; S-orig -17%; B/S-renewals flat; SUBS flat
- 7 B/S-exam, B/S-orig & B/S-renewals flat lined; SUBS flat lined

Expenditure Assumptions:

- 1 Actuals
- 2 Governor's Budget
- 3 Governor's Budget
- 4 EEP=net -\$700 (-1,140+440) plus
1% increase over 09/10 base
- 5 EEP=net -\$210 (-440+230) plus
1% increase over 10/11 base
- 6 1% increase over 11/12 base
- 7 1% increase over 12/13 base

FEE INCREASE-effective January 2010
 WITH NO LOAN REPAYMENT
 includes EEP as prior approved proj.
 NO new BCPs

DEPT of REAL ESTATE
 8-Year Fund Condition Statement
 (\$\$'s in thousands)

Exhibit 2

	2006/07	2007/08	2008/09	2009/10	20010/11	20011/12	20012/13	20013/14
Beginning Reserves	50,107	50,198	36,943	18,842	10,554	8,216	-141	-9,856
Prior Year Adj.	184	519	-	-	-	0	0	0
Reserves, Adjusted	50,291	50,717	36,943	18,842	10,554	8,216	-141	-9,856
Revenues & Transfers								
Revenues:								
Examination fees	6,077	3,079	1,442	1,419	1,437	1,133	985	985
License fees	20,515	17,686	15,968	25,650	31,339	26,146	25,775	25,775
Subdivisions fees	9,358	5,418	5,576	5,821	6,492	6,492	6,492	6,492
Other regulatory licenses	376	277	277	250	250	250	250	250
Sales of documents	95	47	47	50	50	50	50	50
Miscellaneous service	332	185	185	200	200	200	200	200
Income from SMIF	2,571	2,037	1,900	1,400	700	400	0	0
Escheat	20	28	28	28	28	28	28	28
Miscellaneous revenue	588	719	500	500	500	500	500	500
Penalty assessments	314	323	350	300	300	300	300	300
Totals, Revenues	40,246	29,799 ¹	26,273 ²	35,618 ³	41,296 ⁴	35,499 ⁵	34,580 ⁶	34,580 ⁷
Transfers from other funds:								
Loan	0	0	0 ²	3 ³	0 ⁴	5 ⁵	6 ⁶	0
Totals, Transfers	0	0	0	0	0	0	0	0
Totals, Resources	90,537	80,516	63,216	54,460	51,850	43,715	34,439	24,724
Expenditures	40,339	43,573 ¹	44,374 ²	43,906 ³	43,634 ⁴	43,856 ⁵	44,295 ⁶	44,827 ⁷
Reserves	50,198	36,943	18,842	10,554	8,216	-141	-9,856	-20,103
Days	420.5	303.9	156.6	88.3	68	-1	-80	-162
Months	14.0	10.1	5.2	2.9	2	0	-3	-5
%	117%	84%	44%	25%	19%	0%	-22%	-45%
Reserve w/\$10.9 loan as asset	61,098	47,843	29,742	21,454	19,116			
Months reserve	17.1	13.1	8.2	6.0	5.3			

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Revenue Workload Reduction Assumptions for Exam/License/Renewal Fees:

- 1 Actuals
- 2 B-exam -20%; S-exam -40%; B-orig -32%; S-orig -49%; B/S-renewals +9%; SUBS -3%
- 3 B-exam -20%; S-exam -35%; B-orig -10%; S-orig -39%; B/S-renewals +18%; SUBS flat%
- WITH FEE INCREASE effective Jan 2010
- 4 B-exam -15%; S-exam -25%; B-orig -21%; S-orig -17%; B/S-renewals -7%; SUBS +7%
- NO Loan Repayment
- 5 B-exam -15%; S-exam -25%; B-orig -15%; S-orig -25%; B/S-renewals -16%; SUBS flat
- 6 B-exam -10%; S-exam -15%; B-orig -11%; S-orig -17%; B/S-renewals flat; SUBS flat
- 7 B/S-exam, B/S-orig & B/S-renewals flat lined; SUBS flat lined

Expenditure Assumptions:

- 1 Actuals
- 2 Governor's Budget
- 3 Governor's Budget
- 4 EEP=net -\$700 (-1,140+440) plus
1% increase over 09/10 base
- 5 EEP=net -\$210 (-440+230) plus
1% increase over 10/11 base
- 6 1% increase over 11/12 base
- 7 1% increase over 12/13 base

FEE INCREASE-effective January 2010
 WITH FULL LOAN REPAYMENT (no interest)
 includes EEP as prior approved proj.
 NO new BCPs

DEPT of REAL ESTATE
 8-Year Fund Condition Statement
 (\$\$'s in thousands)

Exhibit 3

	2006/07	2007/08	2008/09	2009/10	20010/11	20011/12	20012/13	20013/14
Beginning Reserves	50,107	50,198	36,943	18,842	10,554	19,616	12,059	3,244
Prior Year Adj.	184	519	-	-	-	0	0	0
Reserves, Adjusted	50,291	50,717	36,943	18,842	10,554	19,616	12,059	3,244
Revenues & Transfers								
Revenues:								
Examination fees	6,077	3,079	1,442	1,419	1,437	1,133	985	985
License fees	20,515	17,686	15,968	25,650	31,339	26,146	25,775	25,775
Subdivisions fees	9,358	5,418	5,576	5,821	6,492	6,492	6,492	6,492
Other regulatory licenses	376	277	277	250	250	250	250	250
Sales of documents	95	47	47	50	50	50	50	50
Miscellaneous service	332	185	185	200	200	200	200	200
Income from SMIF	2,571	2,037	1,900	1,400	1,200	1,200	900	0
Escheat	20	28	28	28	28	28	28	28
Miscellaneous revenue	588	719	500	500	500	500	500	500
Penalty assessments	314	323	350	300	300	300	300	300
Totals, Revenues	40,246	29,799 ¹	26,273 ²	35,618 ³	41,796 ⁴	36,299 ⁵	35,480 ⁶	34,580 ⁷
Transfers from other funds:								
Loan	0	0	0 ²	3 ³	10,900 ⁴	5 ⁵	6 ⁶	0
Totals, Transfers	0	0	0	0	10,900	0	0	0
Totals, Resources	90,537	80,516	63,216	54,460	63,250	55,915	47,539	37,824
Expenditures	40,339	43,573 ¹	44,374 ²	43,906 ³	43,634 ⁴	43,856 ⁵	44,295 ⁶	44,827 ⁷
Reserves	50,198	36,943	18,842	10,554	19,616	12,059	3,244	-7,003
Days	420.5	303.9	156.6	88.3	163	99	26	-56
Months	14.0	10.1	5.2	2.9	5	3	1	-2
%	117%	84%	44%	25%	45%	28%	7%	-16%
Reserve w/\$10.9 loan as asset	61,098	47,843	29,742	21,454				
Months reserve	17.1	13.1	8.2	6.0				

#

Revenue Workload Reduction Assumptions for Exam/License/Renewal Fees:

- 1 Actuals
- 2 B-exam -20%; S-exam -40%; B-orig -32%; S-orig -49%; B/S-renewals +9%; SUBS -3%
- 3 B-exam -20%; S-exam -35%; B-orig -10%; S-orig -39%; B/S-renewals +18%; SUBS flat%
- WITH FEE INCREASE effective Jan 2010
- 4 B-exam -15%; S-exam -25%; B-orig -21%; S-orig -17%; B/S-renewals -7%; SUBS +7%
- Loan Repayment
- 5 B-exam -15%; S-exam -25%; B-orig -15%; S-orig -25%; B/S-renewals -16%; SUBS flat
- 6 B-exam -10%; S-exam -15%; B-orig -11%; S-orig -17%; B/S-renewals flat; SUBS flat
- 7 B/S-exam, B/S-orig & B/S-renewals flat lined; SUBS flat lined

Expenditure Assumptions:

- 1 Actuals
- 2 Governor's Budget
- 3 Governor's Budget
- 4 EEP=net -\$700 (-1,140+440) plus
1% increase over 09/10 base
- 5 EEP=net -\$210 (-440+230) plus
1% increase over 10/11 base
- 6 1% increase over 11/12 base
- 7 1% increase over 12/13 base

	California	Florida	Pennsylvania	Texas	New York	North Carolina	New Jersey	Georgia	Arizona	Illinois	Michigan
License population											
Totals	543,941	338,497	273,537	160,144	152,272	103,823	99,375	95,749	90,974	89,769	76,392
# of brokers:	152,586 broker	88,257 brokers	34,278 brokers	49,963 brokers	96,332 brokers	103,823 brokers	17,217 brokers	29,758 brokers	21,862 brokers	28,198 brokers	18,596 brokers
# of salespersons:	391,361 sales	240,098 sales	205,203 sales	106,597 sales	94,833 sales	no salesperson license issued	125,335 sales	65,963 sales	63,890 sales	61,571 sales	51,886 sales
Budget											
Amount	46.6 million										
Staffing levels											
# of licensing staff positions:	46.5	11	8	10	5	4	7	16	13	7	3
# of examination staff positions:	13	none (exams are outsourced to Promissor)	none (exams are outsourced to PSI)	none (exams are outsourced to PSI)	staff process and administers exam	none (exams are outsourced to PSI)	none (exams are outsourced to Promissor)	none (exams are outsourced to AMP)	none (exams are outsourced to Prometric)	none (exams are outsourced to AMP)	non (exams outsourced to PSI)
Monthly application volume											
exam apps per month:	3522		1354 by PSI	3291 by PSI		N/A					174 by PSI
salesperson license apps per month:	1266					N/A					
broker license apps per month:	827					N/A					
Original license req (i.e. education, examination, experience)											
	<p>Broker: 2 years sales experience or the equivalent along with RE Practice, Legal Aspects, RE Finance, RE Appraisal, RE Economics or Salesperson: RE Principles, RE Practice, and one elective course, excluding Advanced RE courses.</p> <p>Pass Exam and Provide: License fee, Legal Presence proof, DOJ/FBI clearances. Support obligor cleared prior to license issuance</p>	<p>Broker: 72 hour pre-license education course. Attorneys must still take the 72 hour pre-license education course for broker.</p> <p>Salesperson: 63 hour pre-license education course. Attorneys in good standing are exempt from 63 hour pre-license education course.</p> <p>Applicants with 4 year college degree in Real Estate and applicants who qualify under a Mutual Recognition Agreement (i.e. reciprocity with another state).</p> <p>Pass Exam, submit application and fee, have fingerprints taken.</p>	<p>Broker: 240 hours and 3 years of experience</p> <p>Salesperson: 60 hours of real estate instruction.</p> <p>Attorneys in good standing, JD degree or applicants with 4 year college degree in Real Estate, reciprocity with another state for 5 years licensed exp.</p> <p>Pass Exam, submit application and fee, complete criminal record check.</p>	<p>Broker: 900 hours of which 270 in core, 2 years active sales experience.</p> <p>Salesperson: 180 hours of which 120 in core, pass examination</p> <p>Pass Exam, submit application and fee, complete criminal record check.</p>	<p>Broker: 120 hours of approved education plus 2 years experience or 3 year equivalent experience.</p> <p>Salesperson: 75 hours of approved education.</p> <p>Pass Exam, submit application and fee, complete criminal record check.</p>	<p>Broker: 75 classroom hours.</p> <p>Salesperson: NC does not offer salesperson licenses.</p> <p>Submit application and fee, along with eligibility questionnaire. If approved, notified of eligibility to take exam.</p>	<p>Broker: 150 hours of pre-license education, plus 3 years salesperson experience.</p> <p>Salesperson: 75 hour pre-license course.</p> <p>Pass Exam, submit application and fee, complete criminal record check.</p>	<p>Broker: 60 hours of broker's pre-license course, plus 15 qtr hours or 9 semester hours in RE from a college or university, plus 3 years licensed</p> <p>Salesperson: 75 hour salesperson pre-license course plus 10 qtr hours or 6 semester hours in RE from a college or university.</p> <p>Pass Exam, submit application and fee.</p>	<p>Broker: 90 classroom hours of pre-licensure education, and 3 years salesperson experience</p> <p>Salesperson: classroom hours of pre-licensure education.</p> <p>Pass Exam, submit application and fee.</p>	<p>Broker: 120 classroom hours or Attorney.</p> <p>Salesperson: 45 classroom hours or Attorney;</p> <p>Pass Exam, submit application and fee</p>	<p>Broker: 120 clock hours of approved education, 3 years of full-time experience in real estate</p> <p>Salesperson: 40 clock hours of approved education</p> <p>Pass Exam, submit application and fee</p>

EXHIBIT 4 - Fee Structure Comparison by State

	California	Florida	Pennsylvania	Texas	New York	North Carolina	New Jersey	Georgia	Arizona	Illinois	Michigan
Fees	4 year cycle	2 year cycle	2 year cycle-even yrs.	2 year cycle	2 year cycle	1 year cycle	2 yr cycle	4 year cycle	4 years	2 year cycle	3 year cycle
Salesperson Examination Application:	\$25	\$105 inc. license	\$56	\$59.00 (PSI fee)	\$15	none	\$60	\$97	\$90	\$49	\$46 (to AMP)
Broker Examination Application:	\$50	\$115 inc. license	\$56	\$59.00 (PSI fee)	\$15	\$56	\$60	\$97	\$115	\$49	\$46 (to AMP)
Original Salesperson License:	\$120	n/a	\$131	\$67.50	\$50	none	\$160	\$170	\$99	\$100	\$88
Original Broker License:	\$165	n/a	\$131	\$134.50	\$150	\$30	\$270	\$170	\$174	\$100	\$143
Salesperson License Renewal:	\$120	\$85	\$96	\$51-1yr, \$102-2yr	\$50	none	\$100	\$100	\$100 online \$120-paper	\$25 year	\$78
Broker License Renewal:	\$165	\$95	\$126	\$511 -2 yrs	\$150	\$40	\$200	\$100	\$200 online \$240 paper	\$50 per year	\$108
Processing time factors											
• proof of legal presence?	Yes	no	n/a	Yes, plus Texas residency	no	no	Yes	No	Yes	no	no
• broker cert sales employment?	Yes	Yes	Yes	Yes	yes broker signs app				yes broker signs app	no	yes broker signs app
state fingerprint rpts rcd/rvwd before license issued?	Yes	Yes	Yes	Yes	no	Yes	Yes	No	no, background check after license issued	no	no
FBI fingerprint rpts rcd/rvwd before license issued?	Yes	Yes	No	Yes	no	Yes	n/a	n/a	no, background check after license issued		
Support Obligor checked before license issued?	Yes	n/a	n/a	No	n/a	n/a	n/a	n/a	n/a		
Performance Standards											
• examination scheduling		5-7 days	2 weeks	approx 10 days	apply online	immediately	immediately	2 days	1-8 days	3 days	same day – 3 days
• receive results after examination		immediately	Immediately	7 days	5-7 days	immediately	immediately	immediately	immediately	immediately	immediately
• original salesperson license		22 days clean or 90	Apply by March 1, even yrs.	7 days	10-14 days	7-10 days	45 days	immediately	5 days or immediately	8 days or less	2 weeks to 30 days
• original broker license		22 days clean or 90	Apply by March 1, even yrs.	7 days	8 weeks	7-10 days	45 days	immediately	5 days or immediately	8 days or less	30-90 days
• salesperson license renewal*		prior to expiration	All expire May 31, of even yrs	1 day (online)	24 hours online	Online-immediately. Paper 1 week	by July 1 st of each yr	Online-immediately. Paper 7-10 days	online immediately-paper n/a	prior to expiration	30 days
• broker license renewal*		prior to expiration	All expire May 31, of even yrs	1 day (online)	24 hours online	Online-immediately. Paper 1 week	by July 1 st of each yr	Online-immediately. Paper 7-10 days	online immediately-paper n/a	prior to expiration	30 days

EXHIBIT 4 - Fee Structure Comparison by State

	California	Florida	Pennsylvania	Texas	New York	North Carolina	New Jersey	Georgia	Arizona	Illinois	Michigan
Examinations											
Are exams administered by your staff or a third party?	Both by DRE and CPS staff	outsourced to Promissor	outsourced to PSI	outsourced to PSI	*those who pass are given letter of authorization allowing them to work for 30 days while their license is processed	outsourced to PSI	outsourced to Promissor	outsourced to AMP	outsourced to Prometric	outsourced to AMP	outsourced to AMP
Telephones											
Does your licensing/examination staff answer telephones as well as process applications?	Yes	Minimal calls. Most are answered at centralized call center by dedicated staff.	Yes	Yes,	Yes, from time to time for training purposes, but mostly answer phones.	Yes	Yes	Yes	Yes	Yes	Yes